



Role of Farmer-Producer Organizations (FPOs) in Empowering Farmers

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Introduction

Indian agriculture is characterized by small and fragmented landholdings, with more than 85 per cent of farmers being small and marginal. While these farmers form the backbone of food production, they often face multiple constraints, poor access to quality inputs, credit, technology, markets and price realization. Farmers are the most direct and primary victims who face the consequences of agriculture risks (Skees and Enkh, 2002). This leads to low productivity, weak bargaining power and income instability. To overcome these limitations, Farmer Producer Organizations (FPOs) have emerged as a powerful mechanism to empower farmers collectively, enhance their incomes and build sustainable livelihoods. Finance Minister, Nirmala Sitharaman, in her maiden Budget speech for the year 2019–20, mentioned the government's intent to create 10,000 more Farmer Producer Organisations (FPOs) by 2022 (Prasad, 2019). FPOs are transforming Indian agriculture by turning smallholders into organized entrepreneurs and enabling them to compete in the modern agri-market environment.

Concept and Need for FPOs

A Farmer Producer Organization (FPO) is a collective of primary producers, mainly farmers, who come together to form a registered body such as a Producer Company, Cooperative Society or Trust under the Companies Act, 2013 or the Cooperative Societies Act. The key idea is collectivization "Together we grow stronger." By aggregating their produce, resources and



efforts, farmers gain the benefits of economies of scale and enhanced market power. The main objective of FPO is to ensure better income for the producers through an organisation of their own (Marbaniang, 2019).

Need for FPOs

- Fragmented land holdings result in low economies of scale.
- High dependence on middlemen and traders reduces farmers' profit margins.
- Limited access to institutional finance and input supply chains.
- Weak negotiating power in both input and output markets.
- Lack of capacity for post-harvest management and value addition.

FPOs bridge these gaps by functioning as member-owned business enterprises that can handle everything from production and procurement to processing and marketing.

Key Functions of FPOs

Farmer Producer Organizations (FPOs) perform a wide range of functions that span the entire agricultural value chain from input procurement to marketing and financial management. These activities not only enhance production efficiency but also strengthen the collective bargaining and business capacity of farmers.

Input Procurement and Supply

One of the fundamental roles of FPOs is the collective procurement and distribution of agricultural inputs. They purchase seeds, fertilizers, pesticides and farm machinery in bulk directly from manufacturers or authorized dealers at wholesale prices. This enables members to access quality inputs at lower costs compared to retail markets. In addition, FPOs promote the use of eco-friendly and organic inputs, thereby encouraging sustainable agricultural practices among their members.

Production and Technical Support

FPOs play a vital role in improving the production capabilities of farmers by providing technical and extension support. They organize training programmes, field demonstrations and

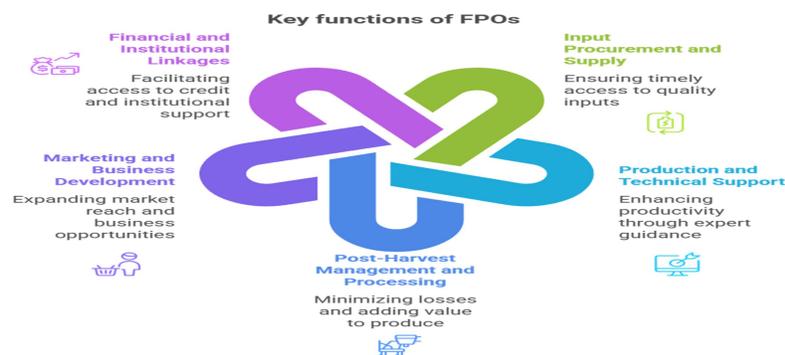
exposure visits to educate farmers on good agricultural practices (GAP), integrated pest management (IPM) and soil health management. Many FPOs also facilitate the use of modern farm machinery, irrigation technologies and mechanized tools through custom hiring centers. These services help members enhance productivity, reduce production costs and adopt climate-resilient farming methods.

Post-Harvest Management and Processing

Post-harvest management is another crucial area where FPOs make significant contributions. They aggregate produce from member farmers for cleaning, grading and packaging to ensure uniform quality standards. Several FPOs have also established storage facilities, warehouses and cold chain systems to reduce post-harvest losses. Additionally, some have ventured into processing and value addition producing items such as milled pulses, turmeric powder and packaged grains. These initiatives not only increase farmers' income but also open new market opportunities for rural enterprises.

Marketing and Business Development

Collective marketing is one of the most important functions of FPOs, helping farmers to secure better prices for their produce. By pooling produce, FPOs are able to negotiate favourable terms with buyers, wholesalers and retailers. They establish direct linkages with institutional buyers, exporters, food processors and retail chains, thereby eliminating intermediaries. Many FPOs also develop their own brands, participate in trade fairs and exhibitions and explore digital platforms and online marketplaces to expand their reach. Through these activities, FPOs transform traditional farming into market-driven agribusiness ventures.





Financial and Institutional Linkages

FPOs act as a bridge between farmers and financial institutions. They facilitate access to credit and insurance through linkages with banks, NABARD and microfinance agencies. These organizations also coordinate with government departments to help members avail benefits from various agricultural schemes, subsidies and grants. Effective financial management, including transparent accounting, auditing and profit-sharing mechanisms, enhances trust and ensures the long-term sustainability of the FPO.

Government Support and Policy Framework

Recognizing the potential of FPOs, the Government of India has introduced several schemes and policies to promote and strengthen them.

Central Sector Scheme for 10,000 FPOs (2020–2025)

- Launched by the Ministry of Agriculture & Farmers' Welfare in February 2020.
- Aims to form and promote 10,000 new FPOs across India by 2025.
- Each FPO receives ₹18 lakh as equity grant and ₹2,000 per farmer per year for capacity building.
- Implementing agencies: NABARD, SFAC and NCDC.
- Cluster-Based Business Organizations (CBBOs) provide technical, managerial and business handholding for five years.

Other Supporting Schemes

- NABARD Producer Organization Development Fund (PODF)
- Small Farmers' Agri-Business Consortium (SFAC) Equity Grant Scheme
- National Cooperative Development Corporation (NCDC) Support Programmes
- State-level initiatives like Tamil Nadu Small Farmers' Agribusiness Consortium (TNSFAC) and Vazhndhu Kattuvom Project

These programs promote professionally managed, economically viable FPOs to enhance farmers' income and ensure long-term sustainability.



Challenges in the Functioning of FPOs

Despite strong policy support and growing recognition of their importance, Farmer Producer Organizations (FPOs) face several challenges that limit their long-term sustainability. One of the major issues is the limited managerial and entrepreneurial capacity among members. Many farmers who form FPOs lack experience in business operations, financial management and strategic planning. As a result, decision-making often remains centralized or dependent on external agencies. Another critical challenge is the inadequacy of working capital and limited access to timely institutional credit. Small FPOs frequently struggle to obtain loans from banks due to insufficient collateral or lack of credit history. Additionally, weak market linkages and inadequate buyer-seller networks reduce their ability to secure better prices for members' produce. Many FPOs operate in isolation, without strong connections to processors, exporters or retail chains, leading to inconsistent sales and cash flow. Internal challenges such as low member participation, limited trust and occasional conflicts also hinder effective governance and cooperation. Furthermore, compliance with statutory requirements such as auditing, maintaining accounts and filing Goods and Services Tax (GST) returns creates a significant burden, particularly for small or newly formed FPOs that lack administrative staff.

In many cases, FPOs remain heavily dependent on external agencies like NGOs, promoting institutions or consultants for business handholding, marketing and documentation. While these agencies provide valuable initial support, long-term dependency can weaken self-reliance and accountability. To overcome these challenges, FPOs need to develop robust governance structures, professional management systems and transparent decision-making processes that promote member trust and operational efficiency. In an FPO, business competence will develop when you have corporate skills and leadership. But most of the FPOs depend on Government programs and have no business acumen (The Hindu, 2019).

Strategies for Strengthening FPOs

Capacity Building and Professional Management

Regular training in business planning, accounting and leadership should be provided.



Employing qualified CEOs and accountants can improve efficiency and transparency.

Strengthening Market Linkages

FPOs should collaborate with e-NAM, Farmer Connect and private agribusiness firms and explore contract farming and tie-ups with food processors to ensure better market access.

Promoting Digital Agriculture

Using mobile apps for price discovery, logistics and online sales can enhance marketing efficiency. Establishing FPO-led e-commerce platforms will help reach niche markets.

Policy and Institutional Support

Simplified registration, easier compliance and convergence with schemes like PM-FME, PM-KISAN and Agri Infrastructure Fund can strengthen operations. Federations of FPOs at state and national levels should be promoted for joint marketing and advocacy.

Encouraging Youth and Women Participation

Youth and women should be encouraged through incentives, leadership roles and start-up grants. Establishing incubation centers can promote innovation and attract rural entrepreneurs.

Conclusion

Farmer Producer Organizations represent a silent revolution in Indian agriculture. They transform farmers from mere cultivators to entrepreneurs, from price takers to price makers. The collective strength of FPOs can bridge the gap between smallholders and markets, enhance income, promote inclusivity and ensure long-term sustainability. As India moves towards Atmanirbhar Krishi (self-reliant agriculture), FPOs hold the key to making farming viable and dignified. With continued policy support, capacity development and digital empowerment, FPOs can redefine the future of Indian agriculture empowering farmers not as individuals, but as a united force for change.

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